IN THE DRAWINGS:

The drawings were objected to as being handwritten and lacking labels. Corrected drawing sheets for both figures accompany this response.

REMARKS

Reconsideration of the present application is requested. The originally-filed drawings were objected to because they are handwritten. Applicant has submitted corrected drawings with the text typewritten. A further objection was apparently raised that the drawings lacked labels or identifier numbers. Both figures are flowcharts. It is believed that adding identifier numbers to the discretely described steps of the flowcharts is not required to describe the invention. Each of the steps in these flowcharts is discussed in detail in the specification. Referring to an identifier number in the specification is not necessary for a person of ordinary skill to follow the flow chart. It is therefore believed that specific identifier numbers pointing to each step in the flowcharts is not required under the rules or the MPEP.

Background

The following background may be helpful in the explanation of the distinctions of the present invention over the prior art. Settlement negotiations frequently involve a series of offers and counteroffers made by the negotiating parties over a period of weeks and months. With each offer the difference between the demands of each party is usually narrowed, often culminating in a mutually agreeable settlement amount. However, the making of each offer and counteroffer involves risk. The offeror is essentially making a unilateral move that is contrary to that party's interests. The offeror is usually willing to make that move on the expectation that the other party will make a similar move that is contrary to that other party's interests. However, one risk is that the other party will not so respond or will respond with a much smaller move than the offeror. In either case, the initial offeror has unilaterally worsened his/her negotiating position. Another risk is that an offer to take less or pay more may be regarded by the other party as a sign of weakness, causing the responding party to become more entrenched in his/her position. A third risk is that a unilaterally moving party may end of "leaving money on the table" by offering to pay too much or receive too little to settle. In response to these risks, parties tend to

make a series of smaller movements during the negotiation process, thereby minimizing the overall risk.

The Horn application cited in this case, as well as other online settlement systems such as Cybersettle and Click N Settle, are aimed at producing an immediate settlement from offers made online. If a settlement is not reached, as determined by algorithms in the online system, then the offers remain confidential and are not disclosed to the parties. Thus, with these systems, the making of the online offers has had no effect on the negotiations if settlement is not reached online. In baseball terms, Horn and the other online systems produces either a home run or a strikeout, and nothing in between. This all or nothing approach generally relegates systems like Horn to cases in which the parties have already narrowed the gap in off-line negotiations. Approaches like Horn are not generally useful early in the negotiating process.

The present invention provides an online negotiation system that can be used at any stage in the negotiations. Contrary to the "settlement or nothing" approach, in one embodiment the present system relies upon disclosure of offers within predetermined parameters in an effort to bring the parties closer together in the negotiation process. When disclosed these offers become binding offers that can be accepted by the offeree within a predetermined period of time to complete the settlement. Even if neither party chooses to accept the other party's offer, the newly disclosed offers still replace the previous offers of the parties, thereby establishing new settlement positions of the parties. Using the baseball analogy, the present invention allows a party to get on base without having to hit a home run. Strike outs with the present invention are rare.

With the Split and Settle embodiment of the present invention, the system facilitates what is a highly desirable outcome that is otherwise difficult for parties to achieve off-line. According to the present invention, each party's indication of willingness to "split and settle" remains secret until both parties agree. Neither party need introduce the split and settle option, since it is automatically suggested by the system. If both parties agree, the system notifies them that a

settlement has been reached at the mid-point between the two disclosed non-confidential offers. If one party does not agree, then the split and settle option is terminated and the online negotiations proceed according to other aspects of the inventive system. Thus, the present invention removes most of the risk associated with off-line negotiations, avoids the "home run or strikeout" characteristics of Horn and other online systems, and ultimately facilitates the negotiation process.

The Obviousness Rejections

Claims 1-5 were rejected as obvious in view of the published application of Horn et al., No. 2001/0037204 A1. It was suggested that the only features of Applicant's claim that are missing from Horn is the non-confidential offers and the step of displaying the split and settle option to the second party together with the non-confidential offers. These missing features were regarded as obvious additions to the Horn system.

First, the suggestion that these two features are the only aspects of claim 1 missing from Horn is incorrect. Applicant's claim 1 calls for "displaying a settlement contract obligating the parties to the disclosure of binding offers or binding settlement at a particular dollar amount upon the occurrence of pre-determined negotiation conditions." It was erroneously concluded in the Office Action that Fig. 36 of Horn and the associated description at Paragraph 0096 meets this limitation. The statement in Fig. 36 is that "any settlement reached via this process is binding as a valid contract." This statement in Horn does not obligate both parties to disclose binding offers or obligate the parties to a binding settlement if negotiation conditions are met.

This step of claim 1 further calls for disclosure of the non-confidential offers that were made by the parties prior to registering the dispute on the web-based system. The next step requires the first party to signify assent to the split and settle option by disclosing these prior non-confidential offers. The second party is given the opportunity to agree to the split and settle option after the non-

confidential offer amounts are disclosed. If the second party accepts, then the system notifies both parties of the settlement at the mid-point between these non-confidential offers.

In assigning claim elements to the Horn disclosure, the term "non-confidential offers" in Applicant's claim 1 was truncated to "[offers]" in the Office Action because all of the offer activity described in Horn is confidential. However, this treatment of this term in Applicant's claim 1 also ignores that the offers referred to are the non-confidential offers made by the parties prior to registering the dispute. There is nothing in Horn that discloses or contemplates this feature of Applicant's claimed invention. Moreover, introducing prior made offers is not within the purview of the Horn automated settlement process.

The conclusion that Applicant's claimed non-confidential offers would be obvious is based on an inference that is improperly drawn from Horn. The cited statement from Horn referred to "certain embodiments" in which the adverse parties are unaware of a settlement amount offered by a party. Horn Para. 0088. Thus, the inference was drawn that "in all other embodiments, the settlement amount entered by the initiating party is revealed to the other party." No such embodiments are disclosed in Horn. In the only disclosed embodiments, Horn identifies all offers as confidential. For instance, in the screen display of Fig. 8 entitled "How It Works", the parties are advised in step 4 to "Click on your confidential settlement range or Enter your confidential settlement offer." (Emphasis added). Even when negotiations fail, Horn does not disclose the parties' offers/counteroffers. See, e.g., Figs. 42-43.

It is improper to convert the open-ended statements in Horn to an enabling disclosure. First, it is improper to even conclude that this statement in Horn necessarily implies that other embodiments of the Horn system are the converse of that particular statement. Second, it is clear that the use of the terms "In certain embodiments" in the Horn disclosure is intended to avoid limiting the scope of the claimed invention and not to provide an enabling disclosure of a settlement system using non-confidential offers. Instead, the liberal use of the

terms "some embodiments", "one or more embodiments" and "certain embodiments" throughout the Horn specification suggests that the term "embodiment" is intended to mean the manner in which someone may implement the Horn system in the future. For instance, in Para. 0067, Horn refers to "one or more embodiments" that utilize a computer, when the entire system must necessarily use a computer system. It makes no sense to construe this statement in Horn as meaning that some embodiments are not computer-based.

An embodiment in which settlement offers are revealed would make no sense with the settlement system disclosed in Horn. Horn relies upon participants to enter minimum and maximum settlement limits or a settlement value and a range. (Paras. 0091-92). The Horn system automatically calculates a settlement position based on the settlement ranges submitted by the parties. (Para. 0107, Fig. 9). Quite obviously, if the second party was aware of the first party's settlement limits, the second party would disclose his/her settlement limits that would lead to a calculated settlement skewed in favor of the second party! Using Fig. 9 of Horn as an example, if the first party's $3000-6000 range is disclosed, the second party would provide a range of $5990-6010, instead of the $4000-7000 range shown in the figure. The Horn system would automatically calculate the settlement at the midpoint between the first party's highest number, $6000, and the second party's lowest number, $5990, producing a "settlement" at $5995, which is $995 higher than the value shown in Fig. 9. Any use of non-confidential offers in Horn would completely destroy its functionality.

It is correct that Horn does not disclose non-confidential offers or providing the split and settle option to the second party. Horn also does not disclose providing the split and settle option to the first party or the requirement that the first party consent to this approach and disclose the parties' prior non-confidential offers. These features of Applicant's claim 1 are significantly different from the Horn system by design. Applicant's claimed invention produces a significantly different type of negotiation than contemplated in Horn. More significantly, Horn cannot incorporate these features of Applicant's claim 1 because it would destroy

the functionality of the Horn system. As explained above, any non-confidential offer would expose the offeror to the risk, or virtual guarantee, that the other party will use that information to adjust their own counter-offer.

Thus, claim 1 is not only novel but non-obvious in view of Horn. The patentability of claim 1 enures to the benefit of its dependent claims 2-3. Moreover, claim 3 is not disclosed in or rendered obvious by Horn. In rejecting this claim, it was alleged that the only difference between claim 3 and Horn is the absence in Horn of step of terminating the settlement process while maintaining the offers confidential. However, Horn also fails to disclose the next recited step in claim 3, namely notifying the parties of the offer and counter-offer dollar amounts if the counter-offer dollar amount is within the disclosure dollar amount. Horn also fails to disclose a "disclosure dollar amount" as that term is defined in claim 3. In Horn, the offer amounts are never disclosed, not even when settlement is reached. The only dollar amount that is disclosed is the settlement amount, as acknowledged in the Office Action in referring to Para. 0104 of Horn. As explained above, disclosing offer amounts is anathema to Horn and would destroy its functionality. Thus, Horn cannot disclose or contemplate each of the steps of Applicant's claim 3.

Claims 4and 5 were also rejected as obvious in view of Horn. Claim 4 is similar to claim 3 with respect to the limitations of a "disclosure dollar amount", disclosure of both settlement offers and using a proximity test value to determine whether such disclosure occurs. All of the arguments presented above apply to claim 4. Again, there is nothing in Horn that discloses or even permits disclosure of the parties' offers. Moreover, in Horn, the minimum and maximum settlement amounts entered by each party are not the same as Applicant's claimed "proximity test value" as this value is used in the claimed method. While the claimed proximity test value appears on the surface to be similar to the dollar ranges used in Horn; however, in Horn these ranges are used to calculate a settlement. In the present invention, this single range is used to determine whether the parties are close enough in their offers to trigger disclosure of both

offers. Any settlement after this disclosure depends upon one party accepting the other party's offer amount. No settlement dollar amount calculation is performed in Applicant's invention of claim 4, unlike the Horn system.

Thus, claims 4 and 5 recite method steps that are significantly different from the confidential automated calculation technique disclosed in Horn. Moreover, as explained above, Horn cannot be modified in a manner that would meet Applicant's claims 1-5 because such a modification would ruin the Horn system, allowing an unscrupulous second party to use the first party's disclosed offer to skew the settlement.

Contrary to the assertion in the Office Action, Applicant's invention is not *prima facie* obvious in view of Horn. Horn fails to disclose every element and step in Applicant's claims. As demonstrated above, it would not be obvious to modify Horn in the extreme manner necessary to meet all of the limitations of Applicant's claimed invention. The failure of the alleged *prima facie* case for obviousness does not rely upon an application of the teaching-suggestion-motivation test, but instead relies upon the fact that the modifications proposed in the Office Action would destroy the functionality of the Horn system.

In view of the foregoing arguments, it is believed that claims 1-5 are allowable over the art of record. Withdrawal of the obviousness rejections and action toward a notice of allowance is requested.

Respectfully submitted,

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